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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
3 July 1967

INTELLIGENCE MEMORANDUM

Arab-Israeli Situation Report  
(As of 4:30 PM EDT)

ARAB STATES/ISRAEL

1. Further exchanges of fire took place today between Egyptian and Israeli troops north of Qantara on the Suez Canal. The Israelis have now announced that 14 of their men were wounded in the three days of clashes. The Israelis apparently continue to believe that the Egyptian raids are an attempt by Cairo to convince the Egyptian people that the war is continuing, since Egyptians will then be more likely to accept economic hardships at home. The Israelis also feel that Cairo may be trying to justify its persistent refusal to open the Suez Canal, and may hope to influence the current UN General Assembly deliberations to obtain a resolution favoring immediate Israeli withdrawal.

2. Radio Cairo's propaganda line tends to support the Israeli assessment. The border clashes are being described as an overt Israeli challenge to the UN, and as proof that continued Israeli occupation of Arab territory will not lead to the stability or peace referred to by those who oppose the withdrawal of Israeli troops.

3. Egypt announced today that it has decided to cancel its 23 July celebrations marking the 15th anniversary of the ousting of King Farouk and the proclamation of a republic in 1952. Money saved will be diverted to military purposes, the announcement said.

5. The Arab Palestine terrorist organization Fatah announced today that it is transferring its operational headquarters from Damascus into Israel itself, but gave no indication where the new headquarters would be set up. In an unsigned statement circulated in Beirut, the organization said that the move was designed to prevent "Zionist gangs" from having any pretext to harm Arab states. There have been indications that Fatah will continue terrorist operations against Israel, but this announcement is probably just a maneuver to take some of the heat off Syria.

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7. Saudi Petroleum Minister Yamani has revealed that the suspension of pumping during six days of the crisis and the reduced flow throughout the rest of June cost the Saudi government some \$30 million. Saudi radio commentary is stressing that restrictions on oil export are harming the Arab producers more than the boycotted nations. A high government official has confirmed to the US ambassador that this is the first step in a campaign to condition the Saudi public to an eventual resumption of shipments to the US and UK.

8. The Libyan Oil Workers' Union reportedly called a general strike today in protest against a government decision to resume oil pumping and export of oil to "friendly states" other than the US and UK. There is as yet no information on whether or not the strike is being observed.

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9. The US Mission in Geneva has suggested that opportunities for resettlement of the Arab refugees in Latin America be investigated. Patagonia has been suggested as an appropriate spot.

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#### UNITED NATIONS

12. The General Assembly met at 1130 today to vote on the several Mideast resolutions. The outlook is that neither of the two principal resolutions--the Yugoslav (or nonaligned) and the Latin American--will obtain the necessary two-thirds majority. The Yugoslav resolution, backed by the Arab states, India, the USSR and France, has been modified several times since its introduction on 28 June in order to attract greater support, especially from the French-speaking African states of OCAM. These states were subjected to great pressure over the weekend from both France and the USSR, but it is far from certain that they will capitulate.

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[REDACTED]

14. US efforts to get Japan committed to a negative vote on the Yugoslav resolution have been fruitless. Japan, afraid that the Arabs will cut off its oil deliveries, are reluctant to take any action that might be construed as anti-Arab.

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16. Assembly President Pazhwak took a position sympathetic with the desire of the nonaligneds to have more time to round up support when he unilaterally extended the deadline for submission of amendments from 1100 to 1900 on 2 July. His action seems a clear reflection of the fact that his government (Afghanistan) was a sponsor of the nonaligned resolution.

17. On 2 July two more countries--Kenya and Uganda--signed up as co-sponsors of the nonaligned resolution.

18. The Yugoslav resolution seems likely to win somewhere between 55 and 65 "yes" votes. There will probably be around 35 to 45 "no" votes, and the remainder will be abstentions.

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19. The Latin American resolution may do better than this, although it too probably will not be adopted. It received a boost yesterday when the UK representative, Lord Caradon, said on "Meet the Press" that the withdrawal of Israeli troops without dealing with other problems would not solve the crisis. He praised the Latin American resolution as representing more practical peace-keeping.

#### NOTICE

This is the final regularly scheduled Arab-Israeli Situation Report. Special situation reports will be issued as required.

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